

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

VILLAGE OF BOYNE FALLS

Charlevoix County, Michigan

FINANCIAL STATEMENTS

February 28, 2007

VILLAGE OF BOYNE FALLS

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INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Boyne Falls, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Boyne Falls as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Boyne Falls' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Boyne Falls, as of February 28, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Boyne Falls' basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Kenneth A. Berthiaume

June 15, 2007

BASIC FINANCIAL STATEMENTS

VILLAGE OF BOYNE FALLS

STATEMENT OF NET ASSETS

February 28, 2007

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
Assets:			
Cash and cash equivalents	\$ 151,455	\$ 77,117	\$ 228,572
Receivables	18,782	2,886	21,668
Internal balances	1,480	(1,480)	-
Prepaid expenses	14,623	-	14,623
Capital assets:			
Nondepreciable capital assets	10,000	1	10,001
Depreciable capital assets, net	150,347	852,136	1,002,483
Total assets	346,687	930,660	1,277,347
Liabilities:			
Accounts payable and accrued expenses	4,836	5,452	10,288
Long-term liabilities:			
Due within one year	-	15,000	15,000
Due in more than one year	-	502,624	502,624
Total liabilities	4,836	523,076	527,912
Net assets:			
Invested in capital assets, net of related debt	160,347	329,121	489,468
Restricted for:			
Streets	18,032	-	18,032
Unrestricted	163,472	78,463	241,935
Total net assets	\$ 341,851	\$ 407,584	\$ 749,435

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BOYNE FALLS

STATEMENT OF ACTIVITIES

Year Ended February 28, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<i>Governmental activities:</i>				
General government	\$ 39,664	\$ 2,980	\$ -	\$ (36,684)
Public safety	8,685	1,942	-	(6,743)
Public works	99,269	5,937	42,427	(50,905)
Recreation and culture	4,785	325	-	(4,460)
Total governmental activities	\$ 152,403	\$ 11,184	\$ 42,427	\$ (98,792)
<i>Business-type activities:</i>				
Water	\$ 73,966	\$ 71,314	\$ -	\$ (2,652)
Total business-type activities	\$ 73,966	\$ 71,314	\$ -	\$ (2,652)

The accompanying notes are an integral part of these financial statements.

	<i>Governmental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>
<i>Changes in net assets:</i>			
Net (Expense) Revenue	\$ (98,792)	\$ (2,652)	\$ (101,444)
General revenues:			
Taxes:			
Property taxes, levied for general purpose	60,658	-	60,658
Grants and contributions not restricted to specific programs	36,400	-	36,400
Unrestricted investment earnings	3,579	1,177	4,756
Total general revenues	100,637	1,177	101,814
Change in net assets	1,845	(1,475)	370
Net assets, beginning of year	340,006	409,059	749,065
Net assets, end of year	\$ 341,851	\$ 407,584	\$ 749,435

VILLAGE OF BOYNE FALLS

GOVERNMENTAL FUNDS

BALANCE SHEET

February 28, 2007

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Total Governmental Funds</i>
Assets:				
Cash and cash equivalents	\$ 132,318	\$ 10,743	\$ 8,394	\$ 151,455
Due from other governmental units	11,304	5,679	1,799	18,782
Due from other funds	10,063	-	-	10,063
Prepaid expenditures	14,623	-	-	14,623
Total assets	\$ 168,308	\$ 16,422	\$ 10,193	\$ 194,923
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 3,435	\$ -	\$ -	\$ 3,435
Accrued expenses	1,401	-	-	1,401
Due to other funds	-	4,841	3,742	8,583
Total liabilities	4,836	4,841	3,742	13,419
Fund balances:				
Reserved for:				
Prepaid expenditures	14,623	-	-	14,623
Unreserved:				
General fund	148,849	-	-	148,849
Special revenue funds	-	11,581	6,451	18,032
Total fund balances	163,472	11,581	6,451	181,504
Total liabilities and fund balances	\$ 168,308	\$ 16,422	\$ 10,193	\$ 194,923

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BOYNE FALLS

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

February 28, 2007

Total fund balances for governmental funds \$ 181,504

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	362,200	
Less accumulated depreciation	(201,853)	160,347
Net assets of governmental activities	<u> </u>	<u>\$ 341,851</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BOYNE FALLS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended February 28, 2007

	<i>Major Governmental Funds</i>			
	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Total Governmental Funds</i>
Revenues:				
Property taxes	\$ 60,658	\$ -	\$ -	\$ 60,658
Licenses and permits	180	-	-	180
State grants	39,580	31,456	9,115	80,151
Fines and forfeits	618	-	-	618
Interest and rents	39,103	-	-	39,103
Other revenue	2,800	-	-	2,800
Total revenues	142,939	31,456	9,115	183,510
Expenditures:				
Current				
General government	23,312	-	-	23,312
Public safety	8,685	-	-	8,685
Public works	44,052	25,230	29,150	98,432
Recreation and culture	4,785	-	-	4,785
Other	34,688	-	-	34,688
Total expenditures	115,522	25,230	29,150	169,902
Excess (deficiency) of revenues over expenditures	27,417	6,226	(20,035)	13,608
Other financing sources (uses):				
Transfers from other funds	-	-	13,621	13,621
Transfers to other funds	(8,621)	(5,000)	-	(13,621)
Total other financing sources (uses)	(8,621)	(5,000)	13,621	-
Net change in fund balances	18,796	1,226	(6,414)	13,608
Fund balances, beginning of year	144,676	10,355	12,865	167,896
Fund balances, end of year	\$ 163,472	\$ 11,581	\$ 6,451	\$ 181,504

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BOYNE FALLS

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended February 28, 2007

Net change in fund balances - total governmental funds \$ 13,608

Total change in net assets reported for governmental activities in the statement
of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is depreciated over their
estimated useful lives and reported as depreciation expense.

Capital outlay	-	
Less depreciation expense	(11,763)	(11,763)
Change in net assets of governmental activities	<u> </u>	<u>\$ 1,845</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BOYNE FALLS

PROPRIETARY FUND **STATEMENT OF NET ASSETS**

February 28, 2007

	<i>Water Fund</i>
Assets:	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 77,117
Accounts receivable	2,886
Total current assets	80,003
<i>Noncurrent assets:</i>	
Capital assets:	
Nondepreciable capital assets	1
Depreciable capital assets, net	852,136
Total noncurrent assets	852,137
Total assets	932,140
Liabilities:	
<i>Current liabilities:</i>	
Current portion of long-term debt	15,000
Accounts payable	60
Due to other funds	1,480
Accrued interest payable	5,392
Total current liabilities	21,932
<i>Noncurrent liabilities:</i>	
Long-term debt	502,624
Total noncurrent liabilities	502,624
Total liabilities	524,556
Net assets:	
Invested in capital assets, net of related debt	329,121
Unrestricted	78,463
Total net assets	\$ 407,584

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BOYNE FALLS

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended February 28, 2007

	<i>Water Fund</i>
Operating revenues:	
Charges for services	\$ 69,564
Hydrant rental	1,750
Total operating revenues	71,314
Operating expenses:	
Personnel	10,817
Supplies	5,643
Contracted services	4,526
Utilities	4,824
Equipment rental	5,937
Other services and supplies	434
Depreciation	28,613
Total operating expenses	60,794
Operating income (loss)	10,520
Non-operating revenues (expenses):	
Interest income	1,177
Interest expense	(13,172)
Total non-operating revenues (expenses)	(11,995)
Net income (loss)	(1,475)
Net assets, beginning of year	409,059
Net assets, end of year	\$ 407,584

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BOYNE FALLS

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

Year Ended February 28, 2007

	<i>Water Fund</i>
Cash flows from operating activities:	
Receipts from customers	\$ 69,564
Receipts from interfund services	1,750
Payments to employees	(10,817)
Payments to suppliers	(22,940)
Net cash provided by operating activities	37,557
Cash flows from capital and related financing activities:	
Principal payments	(15,000)
Interest paid	(13,172)
Net cash used by capital and related financing activities	(28,172)
Cash flows from investing activities:	
Interest	1,177
Net cash provided by investing activities	1,177
Net increase in cash and cash equivalents	10,562
Cash and cash equivalents, beginning of year	66,555
Cash and cash equivalents, end of year	\$ 77,117
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 10,520
Adjustments:	
Depreciation	28,613
Change in assets and liabilities:	
Accounts payable	(752)
Due to other funds	(668)
Accrued interest payable	(156)
Net cash provided by operating activities	\$ 37,557

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF BOYNE FALLS

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village, incorporated in 1893 operates under a Council-President form of government and provides services to its residents for: public safety, highways and streets, public improvements, water, recreation and culture, and general administration.

The accounting policies of the Village of Boyne Falls conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units, if any. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Village has no component units.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

VILLAGE OF BOYNE FALLS

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village's net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

VILLAGE OF BOYNE FALLS

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

The Village reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Major Street Fund** is used to account for the maintenance and construction of the Village's major street system.

The **Local Street Fund** is used to account for the maintenance and construction of the Village's local street system.

The Village reports the following major enterprise funds:

The **Water Fund** is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments with a maturity when purchased of three months or less to be cash equivalents.

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation.

VILLAGE OF BOYNE FALLS

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

The Village defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after March 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	40-50 years
Furniture and equipment	5-25 years
Water supply system and equipment	25-40 years

Compensated Absences – The Village does not allow the carryover of unused sick or vacation days. Therefore, no liability has been recorded in the proprietary fund or government-wide financial statements.

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds may be eliminated or reclassified. Interfund receivables and payables, if any, are eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Property Taxes:

Property taxes are levied and become a lien on property as of July 1 on the State taxable valuation of property in the Village of the preceding December 31. Taxes are due without penalty on or before September 14.

The 2006 taxable valuation of the Village totaled \$5,679,241 on which ad valorem taxes levied consisted of 9.5566 mills for the Village’s operating purposes.

The delinquent real property taxes of the Village are purchased by Charlevoix County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

VILLAGE OF BOYNE FALLS

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 1, the Village President submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to March 1, the budget is legally enacted by adoption of the Village Council.
4. Any revision that alters the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Village Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Village incurred expenditures that were in excess of the amounts budgeted, as follows:

	<i>Final Budget</i>	<i>Actual</i>	<i>Excess</i>
General Fund:			
Transfers to other funds	\$ -	\$ 8,621	\$ 8,621
Local Street Fund:			
Public works	13,200	29,150	15,950

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

VILLAGE OF BOYNE FALLS

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

The Village Council has not adopted an investment policy.

The Village's deposits and investments are subject to risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had \$233,419 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$195,574 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

The Village had no investments at February 28, 2007.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2007 was as follows:

	<i>March 1, 2006</i>	<i>Additions</i>	<i>Retirements</i>	<i>February 28, 2007</i>	
Governmental activities:					
Nondepreciable capital assets:					
Land	\$ 10,000	\$ -	\$ -	\$ 10,000	
Depreciable capital assets:					
Buildings and improvements	137,000	-	-	137,000	
Furniture and equipment	215,200	-	-	215,200	
Total depreciable capital assets	352,200	-	-	352,200	
Accumulated depreciation	(190,090)	(11,763)	-	(201,853)	
Depreciable capital assets, net	162,110	(11,763)	-	150,347	
Governmental activities, capital assets, net	\$ 172,110	\$ (11,763)	\$ -	\$ 160,347	

VILLAGE OF BOYNE FALLS

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

	<i>March 1, 2006</i>	<i>Additions</i>	<i>Retirements</i>	<i>February 28, 2007</i>	
Business-type activities:					
Nondepreciable capital assets:					
Land	\$ 1	\$ -	\$ -	\$ 1	
Depreciable capital assets:					
Buildings	6,630	-	-	6,630	
Equipment	1,134	-	-	1,134	
Water system	1,150,972	-	-	1,150,972	
Total depreciable capital assets	1,158,736	-	-	1,158,736	
Accumulated depreciation	(277,987)	(28,613)	-	(306,600)	
Depreciable capital assets, net	880,749	(28,613)	-	852,136	
Business-type activities, capital assets, net	\$ 880,750	\$ (28,613)	\$ -	\$ 852,137	

Depreciation expense was charged to functions as follows:

	<i>Governmental Activities</i>	<i>Business-type Activities</i>
General government	\$ 1,690	\$ -
Public works	10,073	-
Water	-	28,613
Total depreciation	\$ 11,763	\$ 28,613

NOTE 5: DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the Village had no deferred revenue.

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 6: LONG-TERM LIABILITIES

The Village may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. County contractual agreements and installment purchase agreements are also general obligations of the government.

Long-term liabilities at February 28, 2007 consisted of the following:

Types of Indebtedness	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at Year-End
Business-type Activities:					
General Obligation Bonds:					
2003 Issue - Water System	10/1/04-10/1/32	2.5%	\$15,000-22,674	\$ 562,624	\$ 517,624

The following is a summary of long-term liabilities transactions for the year ended February 28, 2007:

	March 1, 2006	Additions	Retirements	February 28, 2007	Due Within One Year
Business-type activities:					
General Obligation Bonds:					
2003 Issue - Water System	\$ 532,624	\$ -	\$ (15,000)	\$ 517,624	\$ 15,000
Total business-type activities					
- long-term liabilities	\$ 532,624	\$ -	\$ (15,000)	\$ 517,624	\$ 15,000

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

Year Ended February 28,	Business-type Activities		
	Principal	Interest	Total
2008	\$ 15,000	\$ 12,940	\$ 27,940
2009	15,000	12,566	27,566
2010	15,000	12,190	27,190
2011	15,000	11,816	26,816
2012	15,000	11,440	26,440
2013-2017	85,000	51,452	136,452
2018-2022	100,000	39,700	139,700
2023-2027	110,000	27,076	137,076
2028-2032	125,000	12,202	137,202
2033	22,624	566	23,190
	<u>\$ 517,624</u>	<u>\$ 191,948</u>	<u>\$ 709,572</u>

VILLAGE OF BOYNE FALLS

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

	<i>Governmental Activities</i>	<i>Business-type Activities</i>
Receivables:		
Accounts	\$ -	\$ 2,886
Intergovernmental	18,782	-
Total receivables	\$ 18,782	\$ 2,886
Accounts payable and accrued expenses:		
Accounts	\$ 3,435	\$ 60
Payroll and related liabilities	1,401	-
Accrued interest	-	5,392
Total accounts payable and accrued expenses	\$ 4,836	\$ 5,452

NOTE 8: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at February 28, 2007 is as follows:

<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>
General Fund	Major Street Fund	\$ 4,841
General Fund	Local Street Fund	3,742
General Fund	Water Fund	1,480
		\$ 10,063

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers reported in the fund statements were as follows:

<i>Funds Transferred From</i>	<i>Funds Transferred To</i>	<i>Amount</i>
General Fund	Local Street Fund	\$ 8,621
Major Street Fund	Local Street Fund	5,000
		\$ 13,621

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3)

VILLAGE OF BOYNE FALLS

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 10: RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village is a member of the Michigan Township Participating Plan, a public entity risk pool currently operating as a common risk management and insurance program for various municipalities throughout the state. The Village pays an annual premium for its insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for 100% of its claims.

NOTE 11: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Simplified Employee Pension Plan:

The Village established an Individual Retirement Account to provide retirement benefits for its one full-time employee of \$3,000 annually. Additionally, the Village's part-time employee position is eligible for matching contributions of up to \$500 per year after one year of service. For the year ended February 28, 2007, the Village made the required contribution of \$3,000.

Post Employment Benefits and Deferred Compensation Plan:

Other than the above described pension plan, the Village offers no other post employment benefits to its retirees and no deferred compensation plan.

NOTE 12: FUND EQUITY

Specific reservations on fund equity include:

Reserved for prepaid expenditures – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF BOYNE FALLS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2007

	<i>Budgeted Amounts</i>			<i>Actual</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Over (Under)</i>
				<i>Final Budget</i>
Revenues:				
Property taxes	\$ 58,970	\$ 58,970	\$ 60,658	\$ 1,688
Licenses and permits	-	-	180	180
State grants	36,250	36,250	39,580	3,330
Interest and rents	39,950	39,950	39,103	(847)
Other revenue	5,500	5,500	2,800	(2,700)
Total revenues	140,970	140,970	142,939	1,969
Expenditures:				
Current				
General government	28,610	29,109	23,312	(5,797)
Public safety	8,820	8,820	8,685	(135)
Public works	48,900	54,736	44,052	(10,684)
Recreation and culture	7,000	7,000	4,785	(2,215)
Other	45,500	45,500	34,688	(10,812)
Total expenditures	138,830	145,165	115,522	(29,643)
Excess (deficiency) of revenues over expenditures	2,140	(4,195)	27,417	31,612
Other financing sources (uses):				
Transfers to other funds	-	-	(8,621)	8,621
Total other financing sources (uses)	-	-	(8,621)	8,621
Net change in fund balance	2,140	(4,195)	18,796	22,991
Fund balance, beginning of year	144,676	144,676	144,676	-
Fund balance, end of year	\$ 146,816	\$ 140,481	\$ 163,472	\$ 22,991

VILLAGE OF BOYNE FALLS

SPECIAL REVENUE FUND – MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2007

	<i>Budgeted Amounts</i>			<i>Actual</i>	<i>Over (Under)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>	
Revenues:					
State grants	\$ 33,000	\$ 33,000	\$ 31,456	\$	(1,544)
Total revenues	33,000	33,000	31,456		(1,544)
Expenditures:					
Current					
Public works	28,000	28,000	25,230		(2,770)
Total expenditures	28,000	28,000	25,230		(2,770)
Excess (deficiency) of revenues over expenditures	5,000	5,000	6,226		1,226
Other financing uses:					
Transfers to other funds	(5,000)	(5,000)	(5,000)		-
Total other financing uses	(5,000)	(5,000)	(5,000)		-
Net change in fund balance	-	-	1,226		1,226
Fund balance, beginning of year	10,355	10,355	10,355		-
Fund balance, end of year	\$ 10,355	\$ 10,355	\$ 11,581	\$	1,226

VILLAGE OF BOYNE FALLS

SPECIAL REVENUE FUND – LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2007

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under) Final Budget</i>
Revenues:				
State grants	\$ 8,200	\$ 8,200	\$ 9,115	\$ 915
Total revenues	8,200	8,200	9,115	915
Expenditures:				
Current				
Public works	13,200	13,200	29,150	15,950
Total expenditures	13,200	13,200	29,150	15,950
Excess (deficiency) of revenues over expenditures	(5,000)	(5,000)	(20,035)	(15,035)
Other financing sources:				
Transfers from other funds	5,000	5,000	13,621	8,621
Total other financing sources	5,000	5,000	13,621	8,621
Net change in fund balance	-	-	(6,414)	(6,414)
Fund balance, beginning of year	12,865	12,865	12,865	-
Fund balance, end of year	\$ 12,865	\$ 12,865	\$ 6,451	\$ (6,414)

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF BOYNE FALLS

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended February 28, 2007

Current Taxes:

Property taxes	\$ 60,407
Trailer tax	251
	60,658

Licenses and permits:

Nonbusiness licenses and permits	<u>180</u>
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State Grants:

Liquor license fees	1,324
State revenue sharing - sales tax	36,400
Metro Act Authority	1,856
	<u>39,580</u>

Fines and forfeits:

Ordinance fines	618
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Interest and rents:

Interest	3,579
Equipment rent	35,199
Rents	325
	39,103

Other Revenue:

Other	<u>2,800</u>
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Total revenues	\$ 142,939
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VILLAGE OF BOYNE FALLS

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended February 28, 2007

Expenditures:

General Government:

Council:

Personnel	\$ 1,625
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President:

Personnel	1,000
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Clerk:

Personnel	9,600
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Administration:

Other	781
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Audit and Accounting:

Contracted services	960
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Treasurer:

Personnel	2,160
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Building and Grounds:

Personnel	490
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Supplies	1,339
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Telephone	1,861
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Printing and publications	524
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Utilities	715
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Repairs and maintenance	1,454
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6,383

Attorney:

Contracted services	803
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Total general government	23,312
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Public Safety:

Police:

Personnel	6,270
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Supplies	665
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6,935

Fire:

Equipment rental	1,750
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Total public safety	8,685
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VILLAGE OF BOYNE FALLS

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended February 28, 2007

Expenditures, continued:

Public Works:

Department of Public Works:

Personnel	13,783
Supplies	4,231
Utilities	3,876
Repairs and maintenance	2,292
	24,182

Sidewalks:

Contracted services	14,451
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Street Lighting:

Utilities	5,419
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Total public works	44,052
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Recreation and Culture:

Parks and Recreation:

Personnel	2,914
Utilities	842
Repairs and maintenance	1,029
	4,785

Other:

Insurance	14,662
Health insurance	10,174
Retirement	3,000
Payroll taxes	4,346
Worker's compensation insurance	2,506
	34,688

Total expenditures	115,522
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Other Financing Uses:

Transfers to other funds	8,621
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Total expenditures	\$ 124,143
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VILLAGE OF BOYNE FALLS

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

February 28, 2007

CHARLEVOIX COUNTY WATER SUPPLY SYSTEM, SERIES 2003 BONDS

Issue dated June 26, 2003 in the amount of	\$	562,624
Less: Principal paid in prior years	(30,000)	
Principal paid in current year	(15,000)	
Balance payable at February 28, 2007	\$	<u>517,624</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Interest due April 1</i>	<i>Principal due October 1</i>	<i>Interest due October 1</i>	<i>Total Annual Requirement</i>
2008	2.50%	\$ 6,470	\$ 15,000	\$ 6,470	\$ 27,940
2009	2.50%	6,283	15,000	6,283	27,566
2010	2.50%	6,095	15,000	6,095	27,190
2011	2.50%	5,908	15,000	5,908	26,816
2012	2.50%	5,720	15,000	5,720	26,440
2013	2.50%	5,533	15,000	5,533	26,066
2014	2.50%	5,345	15,000	5,345	25,690
2015	2.50%	5,158	15,000	5,158	25,316
2016	2.50%	4,970	20,000	4,970	29,940
2017	2.50%	4,720	20,000	4,720	29,440
2018	2.50%	4,470	20,000	4,470	28,940
2019	2.50%	4,220	20,000	4,220	28,440
2020	2.50%	3,970	20,000	3,970	27,940
2021	2.50%	3,720	20,000	3,720	27,440
2022	2.50%	3,470	20,000	3,470	26,940
2023	2.50%	3,220	20,000	3,220	26,440
2024	2.50%	2,970	20,000	2,970	25,940
2025	2.50%	2,720	20,000	2,720	25,440
2026	2.50%	2,470	25,000	2,470	29,940
2027	2.50%	2,158	25,000	2,158	29,316
2028	2.50%	1,845	25,000	1,845	28,690
2029	2.50%	1,533	25,000	1,533	28,066
2030	2.50%	1,220	25,000	1,220	27,440
2031	2.50%	908	25,000	908	26,816
2032	2.50%	595	25,000	595	26,190
2033	2.50%	283	22,624	283	23,190
		\$ 95,974	\$ 517,624	\$ 95,974	\$ 709,572